

IOWA AGENCY FOR MUNICIPAL WIND

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

IOWA AGENCY FOR MUNICIPAL WIND

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IOWA AGENCY FOR MUNICIPAL WIND
Board of Directors
December 31, 2011

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Duane Armstead	Chair	SIMECA
Tim Reed	Vice-Chair	Muscatine Power and Water
Allen Bonderman	Secretary-Treasurer	Atlantic Municipal Utilities
John Bilsten	Member	Algona Municipal Utilities
Nancy Janssen	Member	City of Auburn
Diane Lucas	Member	City of Breda Electric System
Ed Schultz	Member	Cedar Falls Utilities
John Dowd	Member	City of Eldridge
David Ryan	Member	City of Fairbank
Suzanne Danner	Member	City of Glidden
Rachel Cahill	Member	City of Stratford
John Packwood	Member	City of Tipton
Gary Menke	Member	West Point Utility System
Kent Hilsabeck	Member	WIMECA

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Iowa Agency for Municipal Wind
Ankeny, Iowa

We have audited the accompanying statements of cash receipts, disbursements and changes in cash basis net assets of Iowa Agency for Municipal Wind as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of Iowa Agency for Municipal Wind at December 31, 2011 and 2010 and the changes in its cash basis financial position for the years then ended in conformity with the basis of accounting described in Note A.

The Agency has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

To the Board of Directors
Iowa Agency for Municipal Wind

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2012 on our consideration of Iowa Agency for Municipal Wind's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Gronewold, Bell, Kyhman + Co. P.C.
Atlantic, Iowa
March 15, 2012

IOWA AGENCY FOR MUNICIPAL WIND
Statements of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets
Year ended December 31,

	<u>2011</u>	<u>2010</u>
Operating receipts:		
Contributions from members	\$ --	\$ 295,728
Operating disbursements:		
Professional services	53,973	231,918
Wind project development services	23,981	201,948
Supplies and other fees	10,765	33,192
Member refund	<u> --</u>	<u> 4,554</u>
Total operating disbursements	<u>88,719</u>	<u>471,612</u>
Deficiency of operating receipts under operating disbursements	(88,719)	(175,884)
Non-operating receipts:		
Interest	<u> 70</u>	<u> 505</u>
Net change in cash basis net assets	(88,649)	(175,379)
Cash basis net assets beginning of year	<u>227,557</u>	<u>402,936</u>
Cash basis net assets end of year	<u>\$ 138,908</u>	<u>\$ 227,557</u>
Cash Basis Net Assets		
Unrestricted	<u>\$ 138,908</u>	<u>\$ 227,557</u>

The accompanying notes are an integral part of these statements.

IOWA AGENCY FOR MUNICIPAL WIND
Notes to Financial Statements
December 31, 2011 and 2010

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

The Iowa Agency for Municipal Wind (IAMWind) is a political subdivision of the State of Iowa organized pursuant to Chapters 28E and 476A of the Code of Iowa 2007, as amended. As a political subdivision, it is exempt from income taxes. IAMWind is a municipal joint action agency established by a group of Iowa cities and their municipal utility organizations. IAMWind's Bylaws state: "The purpose, power and function of the IAMWind is to provide a means for municipal utilities and other qualified political subdivisions to develop wind energy projects for the benefit of members and to utilize to the full extent possible all powers granted by Chapters 28E and 476A, Code of Iowa 2007, as amended, to promote the interest of members in the operation of their utilities through the development and implementation of projects on a joint basis." Any city utility or electric power agency organized as a political subdivision may become a member of the IAMWind by making application for membership and agreeing to comply with the rules and regulations of the organization. IAMWind is governed by a Board of Directors consisting of one director per participating member in good standing. Directors represent municipal electric joint action agencies across Iowa, as well as independent municipal utilities who are not affiliated with any joint action agency.

2. Basis of Accounting

IAMWind maintains its financial records on the basis of cash receipts and disbursements and the financial statements of IAMWind are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of IAMWind in accordance with U.S. generally accepted accounting principles.

3. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from member contributions, providing services, and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

IOWA AGENCY FOR MUNICIPAL WIND
Notes to Financial Statements
December 31, 2011 and 2010

NOTE B - DEPOSITS AND INVESTMENTS

The Agency's deposits at December 31, 2011 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Agency or their agent in the Agency's name.

The Agency is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Board of Directors has further restricted investments to qualified bank instruments, and the Iowa Public Agency Investment Trust (IPAIT).

Investments are stated at fair value. The Agency had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$110,245 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 90 days. The Board of Directors may authorize investment of funds with maturities longer than 90 days.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The Agency places no limit on the amount that may be invested in any one issuer.

NOTE C - PROJECT STATUS

The Agency was originally formed to provide a means for its members to develop, build, and operate a wind energy project. During the project development stage, members representing the majority of the interest determined it would be in their best interest to end participation before the building and operation phases of the project would be started. During the year ended December 31, 2010, the members decided to suspend development activity, minimize expenditures, and maintain the project at its current status. All easements are being renewed and wind data collection is continuing while the members determine the best course to optimize the value of the project. Currently the members are considering the possibility of a future sale of the project, when economic and market conditions improve.

IOWA AGENCY FOR MUNICIPAL WIND
Notes to Financial Statements
December 31, 2011 and 2010

NOTE C - PROJECT STATUS - Continued

The agreement with the organization hired to assist in developing the project includes clauses defining the distribution of any proceeds from the sale of the project within a defined timeframe. If the project assets are sold before a defined "stop date," after payment of any and all outstanding bills, the members would receive a refund of their contributions, with any remaining proceeds to be distributed according to contract provisions. After the "stop date," all proceeds of a project sale would be distributed to members in a manner determined by the Agency Board.

NOTE D - MEMBER CONTRIBUTIONS

Below is a list of contributions by member for each period:

<u>Member</u>	Year Ended December 31, 2011	Year Ended December 31, 2010
Atlantic Municipal Utilities	\$ --	\$ 15,606
Algona Municipal Utilities	--	10,404
City of Ames	--	56,440
City of Auburn	--	2,601
City of Breda Electric System	--	1,300
Cedar Falls Utilities	--	65,024
City of Eldridge	--	10,404
City of Fairbank	--	2,601
City of Glidden	--	1,300
Muscatine Power and Water	--	52,019
City of Stratford	--	1,300
City of Tipton	--	5,202
West Point Utility System	--	1,301
South Iowa Municipal Electric Cooperative Association	--	65,024
West Iowa Municipal Electric Cooperative Association	--	5,202
	<u>\$ --</u>	<u>\$ 295,728</u>

As funds are required for the project development or maintenance, each member is notified of its required contributions, based on megawatt usage subscriptions.

IOWA AGENCY FOR MUNICIPAL WIND
Notes to Financial Statements
December 31, 2011 and 2010

NOTE E - CONTINGENCIES

Risk Management

The Organization is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the Organization's existence.

Expenditure Classification

Expenditures are recorded when paid under the cash receipts and disbursements basis of accounting. Past wind project development services expenditures include unused (as of December 31, 2011) deposits totaling approximately \$250,000, with Midwest Independent Transmission System Operator Inc., for studies to be done regarding eventual transmission line availability and usage.

Subsequent Event

The Agency has evaluated all subsequent events through March 15, 2012, the date the financial statements were available to be issued. See Note C regarding project status.

* * *

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors of
Iowa Agency for Municipal Wind
Ankeny, Iowa

We have audited the financial statement of Iowa Agency for Municipal Wind as of and for the year ended December 31, 2011, and have issued our report thereon dated March 15, 2012. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Agency for Municipal Wind's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of Iowa Agency for Municipal Wind's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Directors of
Iowa Agency for Municipal Wind

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 11-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Agency for Municipal Wind's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Iowa Agency for Municipal Wind's response to findings identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Agency's response, we did not audit the Agency's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials and constituents of Iowa Agency for Municipal Wind and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Gronewold, Bell, Kephner + Co. P.C.

Atlantic, Iowa
March 15, 2012

IOWA AGENCY FOR MUNICIPAL WIND
Schedule of Findings
Year Ended December 31, 2011

PART I - SIGNIFICANT DEFICIENCIES

11-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Agency. However, this situation is common in small organizations.

Recommendation: We recognize that it may not be economically feasible for the Agency to contract for additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the members be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The members are aware of this lack of segregation of duties, but it is not economically feasible for the Agency to contract for additional personnel for this reason. The members will continue to act as an oversight group.

Conclusion: Response accepted.

* * *